

Message Text

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ORIGIN EB-08

INFO OCT-01 ARA-10 EUR-12 IO-13 ISO-00 STR-04 AGRE-00
COME-00 SIG-02 SP-02 USIA-15 AID-05 NSC-05
TRSE-00 SS-15 OMB-01 CEA-01 CIAE-00 FRB-01 INR-07
NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 ITC-01
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R 282251Z MAR 77
FM SECSTATE WASHDC
TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS
USCINCSO
AMCONSUL BELIZE
AMCONSUL CALI
USMISSION GENEVA
AMCONSUL GUAYAQUIL
AMEMBASSY LONDON
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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TAGS: ETRD, EAGR, OAS

SUBJECT: SUGAR: OAS/SCCN CONSULTATIONS
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REFS: (A) STATE 37609, (B) STATE 61188, (C) STATE 65705

1. ON MARCH 23-24 THE AD HOC TRADE GROUP OF THE SPECIAL
COMMITTEE FOR CONSULTATION AND NEGOTIATION (SCCN) OF THE
OAS MET TO DISCUSS U.S. SUGAR POLICY.

2. THE SESSION OPENED WITH THE DELIVERY OF A BRIEF STATEMENT BY THE UNITED STATES. THE STATEMENT READS:

QUOTE - THE U.S. DELEGATION APPRECIATES THE OPPORTUNITY TO PARTICIPATE IN THE CONTINUATION OF THESE CONSULTATIONS WHICH BEGAN LAST NOVEMBER. NOW IS AN ESPECIALLY GOOD TIME TO MAKE YOUR VIEWS KNOWN ON U.S. SUGAR POLICY. THIS IS AN ISSUE UNDER ACTIVE CONSIDERATION BY THE NEW ADMINISTRATION. THE CHIEF ADVISORY COUNCIL FOR THE PRESIDENT ON ECONOMIC MATTERS--THE ECONOMIC POLICY GROUP--WILL BE MEETING SOON ON SUGAR POLICY. RECENTLY THE INTERNATIONAL TRADE COMMISSION DETERMINED THAT DOMESTIC SUGAR PRODUCERS ARE THREATENED WITH INJURY BY IMPORTS AND RECOMMENDED A RESTRICTIVE IMPORT QUOTA TO DEAL WITH IT. THE PRESIDENT HAS SIXTY DAYS AFTER THE RELEASE OF THE REPORT TO DECIDE ON THIS RECOMMENDATION.

I SHOULD EMPHASIZE THAT THE EXACT LINES OF A NEW U.S. SUGAR POLICY ARE NOT YET FIRM. BUT I CAN STATE THAT A FUNDAMENTAL PLANK OF THAT POLICY WILL BE A NEW INTERNATIONAL SUGAR AGREEMENT. THE UNITED STATES WILL ATTEND THE UNCTAD CONFERENCE, WHICH STARTS IN GENEVA APRIL 18, WITH THE FULL INTENTION OF NEGOTIATING AN EFFECTIVE AGREEMENT. WE RECOGNIZE, HOWEVER, THAT THERE MAY BE NEED OF SOME INTERIM MEASURES BEFORE AN AGREEMENT CAN COME INTO PLACE. WHAT THESE TEMPORARY ACTIONS MIGHT BE IS NOT CLEAR. BUT THE BASIS OF OUR LONG TERM SUGAR POLICY WILL NONETHELESS CONTINUE TO BE AN INTERNATIONAL SUGAR AGREEMENT. I WOULD URGE YOUR GOVERNMENTS TO TAKE THE NEGOTIATIONS FOR AN AGREEMENT AS SERIOUSLY AS THE UNITED STATES.

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THIS, THEN, IS WHERE THE UNITED STATES STANDS ON SUGAR. I WELCOME YOUR VIEWS. END QUOTE.

3. AFTER THE U.S. STATEMENT THE FLOOR WAS OPENED TO QUESTIONS AND DISCUSSION. HIGHLIGHTS INCLUDED THE FOLLOWING:

(A) CRITICISM OF THE U.S. INTERNATIONAL TRADE COMMISSION (ITC) FINDINGS OF INJURY;

(B) PRICE RANGES FOR A NEW INTERNATIONAL SUGAR AGREEMENT AND

(C) ACCESS TO THE U.S. MARKET.

ALL THESE POINTS WERE COVERED IN THE LATIN AMERICAN CONSENSUS STATEMENT.

4. THE U.S. MENTIONED SOME OF THE OPTIONS OPEN TO THE PRESIDENT UNDER HIS CURRENT AUTHORITIES BUT OUTSIDE THE INDEPENDENT ITC FINDING, AS INTERIM MEASURES PENDING AN EFFECTIVE ISA, SUCH AS PAYMENTS TO GROWERS, GLOBAL QUOTAS, TARIFF MEASURES OR COMBINATIONS OF THESE, BUT POINTED OUT ALL ARE STILL UNDER STUDY AND THAT NO DECISIONS HAVE YET BEEN TAKEN. THIS WAS SAID IN THE CONTEXT OF THE OAS CONSULTATIONS BEING AN EXCELLENT OPPORTUNITY FOR MEMBERS TO HAVE AN INPUT INTO THE U.S. POLICY MAKING PROCESS. IT WAS NOTED THE PRESIDENT MAY EVEN CHOOSE TO TAKE NO ACTION.

5. LENGTHY MEETINGS WERE HELD AMONG THE LATIN AMERICAN DELEGATES TO PRODUCE A JOINT STATEMENT FOR PRESENTATION TO THE U.S. THE STATEMENT FOLLOWS:

QUOTE - THE DELEGATIONS OF LATIN AMERICA AND THE CARIBBEAN, HAVING HEARD THE STATEMENTS OF THE UNITED STATES AND THE UNCLASSIFIED

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EXCHANGE OF OPINIONS ON THE TOPIC OF SUGAR, PRESENT THE FOLLOWING CONSENSUS VIEWS:

(A) THAT THEY DISAGREE TOTALLY WITH THE CONCLUSION OF THE INTERNATIONAL TRADE COMMISSION THAT 'GROWING IMPORTS' THREATEN TO SERIOUSLY INJURE DOMESTIC PRODUCERS, BECAUSE ANALYSIS OF UNITED STATES IMPORT STATISTICS FOR 1960-76 SHOW NO UPWARD TREND IN SUCH IMPORTS. THE ECONOMIC SITUATION THE UNITED STATES SUGAR INDUSTRY MAY BE EXPERIENCING IS THE RESULT OF THE WORLD SUGAR MARKET.

(B) LIKEWISE, THE CURRENT WORLD MARKET SITUATION POSES A MORE SERIOUS PROBLEM TO THE LATIN AMERICAN AND CARIBBEAN COUNTRIES BECAUSE IT AFFECTS THEIR ECONOMIES, WHICH DEPEND TO A GREAT EXTENT ON SUGAR AS A SOURCE OF BOTH EMPLOYMENT AND FOREIGN EXCHANGE, FOR WHICH PROBLEM THERE IS NO ALTERNATIVE SOLUTION IN SOME COUNTRIES.

(C) THE NEGOTIATIONS ON A NEW INTERNATIONAL SUGAR AGREEMENT ARE OF UNIQUE IMPORTANCE BECAUSE, THROUGH THIS INSTRUMENT, THE SITUATION PREVAILING IN THE MARKET CAN BE CORRECTED AND THE PROBLEMS OF THE IMPORTING AND EXPORTING COUNTRIES CAN BE RESOLVED ON THE BASIS OF FAIR PRICES. THE DELEGATIONS OF LATIN AMERICA AND THE CARIBBEAN NOTE WITH APPROVAL THE UNITED STATES STATEMENT TO THIS MEETING REGARDING THE GOVERNMENT'S INTENTION TO PARTICIPATE ACTIVELY IN THAT CONFERENCE IN QUEST OF A NEW AND BETTER INTERNATIONAL SUGAR AGREEMENT. THE DELEGATIONS OF LATIN AMERICA AND THE CARIBBEAN URGE THE GOVERNMENT OF THE UNITED STATES NOT TO ADOPT PROVISIONAL MEASURES NOW THAT WOULD BE STRONGLY DETRIMENTAL TO THE ECONOMIES OF THE

EXPORTING COUNTRIES OF LATIN AMERICA AND THE CARIBBEAN AND THAT, MOREOVER, WOULD BE DETRIMENTAL TO THE POSITION OF THE UNITED STATES IN THE NEGOTIATIONS ON THAT AGREEMENT IN GENEVA.

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(D) THEREFORE, AMONG THE PROVISIONAL MEASURES IN THE RECOMMENDATION CONTAINED IN THE REPORT OF THE INTERNATIONAL TRADE COMMISSION CONCERNING MEASURES TO ASSIST THE DOMESTIC INDUSTRY, THE COUNTRIES OF LATIN AMERICA AND THE CARIBBEAN CONSIDER IT HARMFUL TO THEIR OWN ECONOMIES FOR THE GOVERNMENT OF THE UNITED STATES TO ESTABLISH MEASURES AIMED AT RESTRICTING EVEN FURTHER ACBESS TO ITS MARKET.

(E) THE LATIN AMERICAN AND THE CARIBBEAN COUNTRIES ASK THE UNITED STATES GOVERNMENT TO EXTEND IN 1977 THE BENEFIT OF THE GENERALIZED SYSTEM OF PREFERENCES TO ALL THE COUNTRIES THAT QUALIFY UNDER THE PROVISIONS OF THE TRADE ACT OF 1974, AND THAT THE SUGAR TARIFF BE RETURNED TO THE LEVEL EXISTING PRIOR TO SEPTEMBER 21, 1976.

(F) THE COUNTRIES OF LATIN AMERICA AND THE CARIBBEAN URGE THE GOVERNMENT OF THE UNITED STATES TO CONVOKE A MEETING OF CONSULTATION WITHIN THE FRAMEWORK OF THIS ORGAN AS SOON AS IT HAS INFORMATION ON POSSIBLE ALTERNATIVES THE PRESIDENT MAY ADOPT WITH REGARD TO SUGAR POLICY. END QUOTE.

6. COMMENT: THE PRINCIPAL POINT OF CONTENTION AMONG EXPORTERS WAS APPARENTLY ON WHETHER TO SOLICIT COUNTRY QUOTAS OR NOT. WHILE ALL AGREED TO REQUEST THAT THE U.S. TAKE NO ACTION (SEE LATIN AMERICAN STATEMENT), SOME CARIBBEAN AND CENTRAL AMERICAN EXPORTERS REAFFIRMED FOR THE RECORD THEIR VIEW THAT COUNTRY QUOTAS WERE THE BEST ALTERNATIVE IF THE U.S. WERE TO RETURN TO A RESTRICTIVE PROGRAM. ON THE WHOLE THE LATIN AMERICAN/CARIBBEAN STATEMENT IS BASED ON SOUND ECONOMIC JUDGMENT AND IS VIEWED AS VERY CONSTRUCTIVE.

7. THE LATIN AMERICAN COUNTRIES WERE NOT OF THE SAME POSITION ON SUGAR PRICE LEVELS. BRAZIL, A RELATIVELY EFFICIENT SUGAR PRODUCER, WAS CONCERNED THAT AN AGREEMENT SHOULD AVOID THE CREATION OF AN EXAGGERATED MINIMUM PRICE
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WHICH MIGHT STIMULATE EXCESSIVE WORLD PRODUCTION. OTHER

COUNTRIES WERE INTERESTED IN PRICES AT A CONSIDERABLY HIGHER LEVEL. IT WAS NOTED THAT THE GEPLACEA CONFERENCE HAD AGREED TO PRESS FOR A 15 CENT PER POUND MINIMUM PRICE.

8. WITH REGARD TO PARAGRAPH (F) OF THE STATEMENT, THE U.S. DELEGATION STATED IT SEEMED UNLIKELY THAT TIME CONSIDERATIONS WOULD PERMIT THE OPPORTUNITY FOR FURTHER CONSULTATION WITHIN THE OAS ONCE DEFINITE OPTIONS ARE DEVELOPED FOR THE PRESIDENT. OAS MEMBERS WERE URGED TO SUBMIT THEIR COMMENTS TO STR IN RESPONSE TO THE RECENT FEDERAL REGISTER NOTICE REFTEL C AS PART OF THE REVIEW OF THE ITC REPORT.
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